

Hispanic
Center of
Western
Michigan



Years Ended
December 31,
2013 and 2012

Financial
Statements

HISPANIC CENTER OF WESTERN MICHIGAN

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INDEPENDENT AUDITORS' REPORT

June 9, 2014

Board of Directors
Hispanic Center of Western Michigan
Grand Rapids, Michigan

We have audited the accompanying statements of financial position of the **Hispanic Center of Western Michigan** (the "Center") as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Hispanic Center of Western Michigan** as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Rehmann Lohman LLC

HISPANIC CENTER OF WESTERN MICHIGAN

STATEMENTS OF FINANCIAL POSITION

	ASSETS	
	December 31	
	2013	2012
Current assets		
Cash and cash equivalents	\$ 448,042	\$ 521,784
Receivables		
Service, less allowance for doubtful accounts of \$0 and \$4,758 for 2013 and 2012, respectively	57,809	25,744
United Way	72,850	72,930
Other	32,204	19,218
Prepaid expenses and other assets	15,938	20,321
Total current assets	626,843	659,997
Net property and equipment	899,294	953,624
Total assets	\$ 1,526,137	\$ 1,613,621
	LIABILITIES AND NET ASSETS	
Current liabilities		
Accounts payable	\$ 10,876	\$ 26,703
Accrued liabilities	72,124	76,646
Deferred revenue	10,686	9,474
Total liabilities	93,686	112,823
Net assets		
Unrestricted (deficit)	45,373	(29,630)
Temporarily restricted	1,387,078	1,530,428
Total net assets	1,432,451	1,500,798
Total liabilities and net assets	\$ 1,526,137	\$ 1,613,621

The accompanying notes are an integral part of these financial statements.

HISPANIC CENTER OF WESTERN MICHIGAN

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Contributions and grants	\$ 650,226	\$ 728,466	\$ 1,378,692
In-kind contributions	2,564	-	2,564
Interpreting and translating fees	298,593	-	298,593
Special event revenue, net of direct costs of \$63,845	18,935	-	18,935
Net assets released from restrictions:			
Satisfaction of equipment acquisition restrictions	54,330	(54,330)	-
Satisfaction of purpose restrictions	175,806	(175,806)	-
Expiration of time restrictions	641,680	(641,680)	-
Total support and revenue	1,842,134	(143,350)	1,698,784
Expenses			
Program services			
Comprehensive services	511,313	-	511,313
Youth job training	343,032	-	343,032
Domestic violence	140,356	-	140,356
Interpreting services	309,798	-	309,798
Total program service expenses	1,304,499	-	1,304,499
Supporting services			
Management and general	438,839	-	438,839
Fundraising	23,793	-	23,793
Total supporting service expenses	462,632	-	462,632
Total expenses	1,767,131	-	1,767,131
Change in net assets	75,003	(143,350)	(68,347)
Net (deficit) assets - beginning of year	(29,630)	1,530,428	1,500,798
Net assets - end of year	\$ 45,373	\$ 1,387,078	\$ 1,432,451

The accompanying notes are an integral part of these financial statements.

HISPANIC CENTER OF WESTERN MICHIGAN

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2012

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Contributions and grants	\$ 490,329	\$ 1,004,043	\$ 1,494,372
In-kind contributions	14,605	-	14,605
Interpreting and translating fees	281,452	-	281,452
Special event revenue - net of direct costs of \$69,803	17,504	-	17,504
Net assets released from restrictions:			
Satisfaction of equipment acquisition restrictions	65,048	(65,048)	-
Satisfaction of donor restrictions	174,194	(174,194)	-
Expiration of time restrictions	592,227	(592,227)	-
Total support and revenue	1,635,359	172,574	1,807,933
Expenses			
Program services			
Comprehensive services	480,602	-	480,602
Youth job training	380,323	-	380,323
Domestic violence	106,859	-	106,859
Interpreting services	289,205	-	289,205
Total program service expenses	1,256,989	-	1,256,989
Supporting services			
Management and general	358,839	-	358,839
Fund raising	68,008	-	68,008
Total supporting service expenses	426,847	-	426,847
Total expenses	1,683,836	-	1,683,836
Change in net assets	(48,477)	172,574	124,097
Net assets - beginning of year	18,847	1,357,854	1,376,701
Net (deficit) assets - end of year	\$ (29,630)	\$ 1,530,428	\$ 1,500,798

The accompanying notes are an integral part of these financial statements.

HISPANIC CENTER OF WESTERN MICHIGAN

STATEMENTS OF CASH FLOWS

	December 31	
	2013	2012
Cash from operating activities		
Change in net assets	\$ (68,347)	\$ 124,097
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	54,330	65,048
Changes in operating assets and liabilities which provided (used) cash:		
Receivables	(44,971)	25,219
Prepaid expenses and other assets	4,383	(20,321)
Accounts payable	(15,827)	(9,333)
Accrued liabilities	(4,522)	46,188
Deferred revenue	1,212	9,474
	<u>(73,742)</u>	<u>240,372</u>
Net cash (used in) provided by operating activities, equal to net (decrease) increase in cash and cash equivalents		
Cash and cash equivalents, beginning of year	<u>521,784</u>	<u>281,412</u>
Cash and cash equivalents, end of year	<u><u>\$ 448,042</u></u>	<u><u>\$ 521,784</u></u>

The accompanying notes are an integral part of these financial statements.

HISPANIC CENTER OF WESTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Hispanic Center of Western Michigan (the “Center”) was incorporated in 1978 as a not-for-profit corporation for the purpose of providing various services to the Hispanic community. Primary services include interpreting and translation, job training and employment services information and referrals for local social services, youth services and activities, immigration assistance, cultural diversity training, community education and outreach, and cultural events planning.

The financial statements of the Center have been prepared on the accrual basis of accounting. The significant accounting policies are described below.

Basis of Presentation

The Center has classified information regarding its financial position and activities according to three classes of net assets depending on the existence or absence of donor-imposed restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets result from donor-imposed restrictions that expire with the passage of time or by meeting certain requirements. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law. The Center had no permanently restricted net assets at December 31, 2013 or 2012.

Program Services

The Center provides services to the Hispanic community through the following programs:

1. Comprehensive services include:
 - Providing services to individuals and referring them to other agencies
 - Providing emergency assistance to individuals, including victims of violence
 - Year-round employment services
 - Community outreach
 - Hispanic Festival for cultural education and fund-raising
2. Job training to youth in a summer program.
3. Domestic violence programs.
4. Interpreting and translating for individuals and for courts, hospitals, businesses and other. Interpreting services are also provided in various non-Hispanic languages.

Concentration Risk

In 2013 and 2012, the Center was supported by one major funder. This funder represented 29% and 41%, respectively, of total support and revenue for the year ended December 31, 2013 and 2012, respectively. There were no receivables from this funder at December 31, 2013 or 2012.

HISPANIC CENTER OF WESTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. The most significant estimates are the allocation of expenses between program and supporting services in the statements of activities.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks, and cash on hand. The Center maintains its deposits in one local financial institutions which, at times, may exceed federally insured limits. Management does not believe the Center is exposed to any significant interest rate or other financial risk as a result of these deposits.

Revenue Recognition

Contributions and Grants

Contributions and grants received are recorded as unrestricted, temporarily or permanently restricted support depending on the existence and/or nature of any donor imposed restrictions.

Unconditional promises to give are recognized as revenues in the period the promises are received. All unconditional promises to give are recorded at their net realizable values. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are received. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction has been satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Interpreting and Translating Fees

Interpreting and translating fees revenue is recognized at the time the service is provided.

Deferred Revenue

Fee for service revenue is recognized under the terms of each contract or grant, typically when expenditures are made or services are provided. Amounts received in advance of such expenses or services provided are recorded as deferred revenue.

In-Kind Contributions

In-kind contributions relate to voluntary donations of services that create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills that would be typically purchased if not provided by donation. Such donations are recorded as in-kind contributions revenue and expense at the time of the donation.

HISPANIC CENTER OF WESTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS

Receivables

Service receivables, grant receivables and promises to give are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements. All amounts net of the allowance for doubtful accounts, are expected to be collected within one year.

Property and Equipment and Depreciation

Purchased property and equipment is stated at cost. Donated property and equipment are recorded at fair value at the date of donation. In the absence of donor imposed stipulations regarding how long the contributed asset must be used, the Center has adopted a policy of implying a time restriction on contributions of such assets that expire over the assets' useful lives. Consequently, all contributions of property and equipment, and the assets contributed to acquire property and equipment, are recorded as restricted support and reclassified to unrestricted support as the respective assets are depreciated. Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. Management annually reviews these assets to determine whether carrying values have been impaired. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 35 years.

Income Taxes

The Center is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Although the Center was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to "unrelated business taxable income." Such income, pursuant to the Internal Revenue Code and related regulations, includes investment income or the sale of merchandise that was donated. The Center has been classified as not a private foundation.

The Center analyzes its income tax filing positions in the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions, to identify potential uncertain tax positions. The Center treats interest and penalties attributable to income taxes, and reflects any charges for such, to the extent they arise, as a component of its management and general expenses.

The Center has evaluated its income tax filing positions for fiscal years 2010 through 2013, the years which remain subject to examination as of December 31, 2013. The Center concluded that there are no significant uncertain tax positions requiring recognition in the Center's financial statements. The Center does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Center does not have any amounts accrued for interest and penalties related to UTBs at December 31, 2013 or 2012, and is not aware of any claims for such amounts by federal or state income tax authorities.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program service and supporting activities benefited.

HISPANIC CENTER OF WESTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS

Subsequent Events

In preparing these financial statements, the Center has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to December 31, 2013, the most recent statement of financial position presented herein, through June 9, 2014, the date these financial statements were available to be issued. No significant such events or transactions were identified.

2. PROPERTY AND EQUIPMENT

Property and equipment consists of the following components at December 31:

	2013	2012
Property and equipment		
Land and building	\$ 1,218,594	\$ 1,218,594
Equipment	<u>284,915</u>	<u>284,915</u>
Total	1,503,509	1,503,509
Less accumulated depreciation	<u>604,215</u>	<u>549,885</u>
Net property and equipment	<u>\$ 899,294</u>	<u>\$ 953,624</u>

Depreciation expense for 2013 and 2012 was \$54,330 and \$65,048, respectively.

3. DEBT

The Center has available borrowings on a \$40,000 revolving line of credit with interest charged at prime plus 2.0%, effective rate of 5.25% at December 31, 2013. The agreement expires in December 2014. There were no amounts outstanding at December 31, 2013 and 2012. Borrowings are collateralized by certain property of the Center.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes as of December 31:

	2013	2012
Net investment in property and equipment	\$ 899,294	\$ 953,624
Funding for a future time period	-	35,807
SOL Learn & Earn Expansion Project	50,743	36,185
B2B Middle School Program	24,694	24,283
Capacity building	<u>412,347</u>	<u>480,529</u>
Total temporarily restricted net assets	<u>\$1,387,078</u>	<u>\$1,530,428</u>

HISPANIC CENTER OF WESTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS

5. CONDITIONAL GRANTS

In October 2011, the Center received a \$1,500,000 conditional grant which extends through August 31, 2014. The Center received \$250,000 upon acceptance of the grant in 2011. Successive payments are contingent on the Center meeting certain objectives. The Center will record additional revenue related to this grant when the conditions have been met. During 2013 and 2012, the Center received payments totaling approximately \$489,000 and \$760,000, respectively, which are included as contributions and grants revenue in the accompanying 2013 and 2012 statements of activities.

6. OPERATING MATTERS

Approximately 45% of the Center's revenue is received from three sources, W.K. Kellogg Foundation, Department of Justice (DoJ) and United Way. This funding covers a significant portion of the Center's program and operating expenses. The WKKF grant ends in August 2014. The DoJ grant will not be renewed for 2014. The United Way funding will be renewed for 2014 but with a 10% reduction. Assuming operations and spending levels remain consistent with prior years, revenue in late 2014 may not be sufficient to cover expenses. Currently, a proposal is in process for approximately \$1.2 million of additional funding from the W.K. Kellogg Foundation. However, a formal grant has not been received by the Center.

The Board and the interim executive director continue to develop and implement a strategic plan to expand and develop new revenue streams and grow unrestricted net assets of the Center. The Center also has available \$40,000 on its revolving line of credit.

